



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

February 19, 2009

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Iowa Egg Council for the years ended June 30, 2008 and 2007.

The purpose of the Council is to promote the increased utilization of eggs and egg products and provide for market development.

Vaudt reported the Council had revenues of \$1,018,441 and expenses of \$958,434 for fiscal year 2008. This represents a 2.59% increase in revenues and a 1.18% increase in expenses over 2007. The increase in revenues is due primarily to increased assessments. The modest increase in expenses is due primarily to increased advertising, travel and subsistence, and funding to Iowa State University of Science and Technology for the Egg Industry Center Endowment program which was offset by a decrease in professional services for research activities.

A copy of the audit report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

###

IOWA EGG COUNCIL
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS
JUNE 30, 2008 and 2007

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5
Financial Statements:	<u>Exhibit</u>
Statements of Net Assets	A 6
Statements of Revenues, Expenses and Changes in Net Assets	B 7
Statements of Cash Flows	C 8
Notes to Financial Statements	9-11
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	13-14
Schedule of Findings	15
Staff	16

Iowa Egg Council

Officials

Name

Title

State

Honorable Chester J. Culver	Governor
Charles J. Krogmeier	Director, Department of Management
Glen Dickinson	Director, Legislative Services Agency

Council

Blair Van Zetten	Chairperson
Joe Scallon	Co-Chairperson
Brett Pickar	Secretary/Treasurer
Bruce Dooyema	Member
Mark Friedow	Member
Jon Kuhfus	Member
Rich Hall	Member

Ex Officio Members

Honorable Bill Northey	Iowa Department of Agriculture and Land Stewardship
Dr. Hongwei Xin	Iowa State University
Mark Fischer	Iowa Department of Economic Development

Agency

Kevin S. Vinchattle	Executive Director
---------------------	--------------------

Iowa Egg Council



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Members of the
Iowa Egg Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents in this report, of the Iowa Egg Council as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Iowa Egg Council at June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2009 on our consideration of the Iowa Egg Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 26, 2009

Exhibit A

Iowa Egg Council
Statements of Net Assets
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 645,721	614,017
Accounts receivable	116,250	125,333
Prepaid expenses	2,631	2,035
Total current assets	<u>764,602</u>	<u>741,385</u>
Furniture and equipment (net of accumulated depreciation of \$32,833 and \$28,179)	4,238	8,892
Total assets	<u><u>\$ 768,840</u></u>	<u><u>750,277</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 137,834	180,670
Compensated absences	3,281	1,889
Total current liabilities	<u>141,115</u>	<u>182,559</u>
Net assets-unrestricted	<u>627,725</u>	<u>567,718</u>
Total liabilities and net assets	<u><u>\$ 768,840</u></u>	<u><u>750,277</u></u>

See notes to financial statements.

Iowa Egg Council

Statements of Revenues, Expenses and Changes
in Net Assets

Years ended June 30, 2008 and 2007

	2008	2007
Revenues:		
Assessments	\$ 950,547	922,461
American Egg Board funding	52,144	49,885
Miscellaneous	458	359
Total revenues	<u>1,003,149</u>	<u>972,705</u>
Expenses:		
Salaries	157,465	155,494
Travel and subsistence	38,849	25,313
Office supplies	7,996	7,737
Advertising	98,896	83,319
Other promotional supplies	26,497	30,071
Equipment and maintenance	5,789	3,685
Telephone	5,441	6,406
Rent	34,332	34,332
Insurance	2,758	3,279
Professional services for research activities	238,345	362,815
Egg Industry Center Endowment	210,000	105,000
Consumer education	2,130	8,190
Depreciation	4,654	3,646
Promotions	102,296	97,152
Miscellaneous	22,986	20,819
Total expenses	<u>958,434</u>	<u>947,258</u>
Operating income	44,715	25,447
Non-operating revenues:		
Interest income	<u>15,292</u>	<u>20,011</u>
Changes in net assets	60,007	45,458
Net assets beginning of year	<u>567,718</u>	<u>522,260</u>
Net assets end of year	<u>\$ 627,725</u>	<u>567,718</u>

See notes to financial statements.

Exhibit C

Iowa Egg Council

Statements of Cash Flows

Years ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Cash received from assessments	\$ 959,631	924,985
Cash paid to suppliers and employees	(785,821)	(698,100)
Cash paid to Egg Industry Center Endowment	(210,000)	(105,000)
Other operating revenues	52,602	50,244
Net cash provided by operating activities	16,412	172,129
Cash flows from capital activities:		
Acquisition of capital assets	-	(5,517)
Cash flows from investing activities:		
Interest received	15,292	20,011
Net increase in cash and cash equivalents	31,704	186,623
Cash and cash equivalents beginning of year	614,017	427,394
Cash and cash equivalents end of year	\$ 645,721	614,017
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 44,715	25,447
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,654	3,646
Changes in assets and liabilities:		
Decrease in accounts receivable	9,083	2,524
(Increase) decrease in prepaid expenses	(596)	669
Increase (decrease) in accounts payable	(42,836)	140,481
Increase (decrease) in compensated absences	1,392	(638)
Total adjustments	(28,303)	146,682
Net cash provided by operating activities	\$ 16,412	172,129

See notes to financial statements.

Iowa Egg Council

Notes to Financial Statements

June 30, 2008 and 2007

(1) Summary of Significant Accounting Policies

The purpose of the Iowa Egg Council is to promote the increased utilization of eggs and egg products and provide for market development. Statutory authority for the Iowa Egg Council is established under Chapter 184 of the Code of Iowa. Funding is provided by an assessment imposed on producers for eggs sold.

- A. Reporting Entity – For financial reporting purposes, the Iowa Egg Council has included all funds, organizations, agencies, boards, commissions, and authorities. The Council has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Council are such that exclusion would cause the Council's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Council to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Council. The Iowa Egg Council has no component units which meet the Governmental Accounting Standards Board criteria.
- B. Basis of Accounting – The financial statements of the Iowa Egg Council are prepared on the accrual basis.
- C. Budgetary Control – Budgetary control is exercised over the Iowa Egg Council by the Council, which approves, reviews and revises the budget.
- D. Cash and Cash Equivalents – For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.
- E. Furniture and Equipment – Furniture and equipment are capitalized at cost. Expenses for repair and maintenance are charged against operations. The estimated lives for furniture and equipment range from three to seven years.
- F. Depreciation – Furniture and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.
- G. Income Taxes – The organization is exempt from taxation.
- H. Compensated Absences – Iowa Egg Council employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The liability recorded for earned but unused vacation has been computed based on rates of pay in effect at the end of the fiscal year.

(2) Deposits

The Council's deposits in banks at June 30, 2008 and 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

(3) Furniture and Equipment

A summary of furniture and equipment for the years ended June 30, 2008 and 2007 were as follows:

	Year ended June 30, 2008			Balance June 30, 2008
	Balance July 1, 2007	Additions	Deductions	
Furniture and equipment	\$ 37,071	-	-	37,071
Less accumulated depreciation	(28,179)	(4,654)	-	(32,833)
Furniture and equipment, net	\$ 8,892	(4,654)	-	4,238

	Year ended June 30, 2007			Balance June 30, 2007
	Balance July 1, 2006	Additions	Deductions	
Furniture and equipment	\$ 33,977	5,517	(2,423)	37,071
Less accumulated depreciation	(26,956)	(3,646)	2,423	(28,179)
Furniture and equipment, net	\$ 7,021	1,871	-	8,892

(4) Related Party Transactions

The Iowa Egg Council has contracted with the Iowa Poultry Association to: develop, prepare and distribute educational and promotional material relating to eggs, egg products and egg production; develop and implement public relations, advertising or marketing campaigns designed to maintain/increase the use of eggs or egg products, secure consumer confidence and promote the safe handling of eggs and egg products; encourage exchange of information, ideas and technology between various parties involved in the egg industry; and participate in trade missions, fairs, trade shows and conferences which are beneficial to the industry. The contract provided for the Council to make payments to the Association totaling \$830,685 and \$821,430 for the years ended June 30, 2008 and 2007, respectively.

In addition, certain administrative expenses are paid by the Iowa Poultry Association for the Iowa Egg Council under a contractual agreement. The contract provided for the Council to make payments to the Association totaling \$240,994 and \$235,646 for the years ended June 30, 2008 and 2007, respectively.

Both contracts contain provisions which state, in part, "The contract payments may be modified as necessary to meet the obligations incurred in the performance of this agreement. Such payments shall not exceed the actual amount required to cover, the actual services performed..." Actual expenses under the above contracts totaled \$958,434 and \$947,258 for the years ended June 30, 2008 and 2007, respectively. The amounts paid to the Iowa Poultry Association are distributed to the appropriate expense classifications on Exhibit B of the financial statements.

(5) Risk Management

The Iowa Egg Council is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Iowa Egg Council assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(6) SIMPLE IRA Plan

The Iowa Egg Council began a SIMPLE IRA plan on January 1, 2006 that covers most employees. However, the Council did not match employee contributions until 2007. The Council matches an employee's salary reduction contributions up to a maximum of 3% of the employee's compensation. Total expenses under this plan for the years ended June 30, 2008 and 2007 were \$3,832 and \$5,585, respectively.

(7) Gift Commitments to Egg Industry Center Endowment at Iowa State University

The Iowa Egg Council made gift commitments to establish an endowed Egg Industry Center in Iowa State University of Science and Technology's College of Agriculture and Life Sciences.

In June 2006, the Council pledged \$1,000,000, plus \$5,000 per year for administrative costs, to the Egg Industry Center Endowment, with the pledge to be completed in equal installments over ten years. In March 2007, the Council pledged an additional \$1,000,000, plus \$5,000 per year for administrative costs, to the Egg Industry Center Endowment over ten years beginning July 1, 2007. The total gifts to the Egg Industry Center Endowment for the years ended June 30, 2008 and 2007 were \$210,000 and \$105,000, respectively.

The Iowa Egg Council considers the gift commitments to be conditional pledges. The Council approves the payment amount as part of the annual budget which is contingent upon the availability of future revenues.

Iowa Egg Council



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Members of the
Iowa Egg Council:

We have audited the financial statements of the Iowa Egg Council as of and for the year ended June 30, 2008, and have issued our report thereon dated January 26, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iowa Egg Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Iowa Egg Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Iowa Egg Council's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Iowa Egg Council's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Iowa Egg Council's that is more than inconsequential will not be prevented or detected by the Iowa Egg Council's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Iowa Egg Council's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

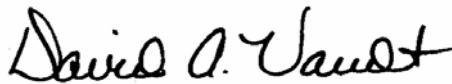
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iowa Egg Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards.

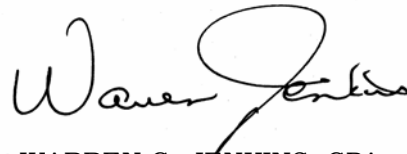
Comments involving statutory and other legal matters about the Council's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Council. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Iowa Egg Council's and other parties to whom the Council may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Egg Council during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 26, 2009

Iowa Egg Council
Schedule of Findings
Year ended June 30, 2008

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

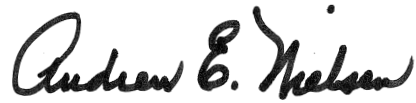
No matters were noted.

Iowa Egg Council

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager
Tiffany M. Ainger, Staff Auditor
Sara L. Roling, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State